

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Grand Island	<b>County</b> Alger
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> June 28, 2007	<b>Date Accountant Report Submitted to State:</b> July 17, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	3
Government-wide Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9-13
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	14
Other supporting information:	
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	15
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	16

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

June 28, 2007

To the Township Board  
Township of Grand Island  
Alger County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Grand Island, Alger County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Grand Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Grand Island, Alger County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Grand Island covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$21,865.56 from governmental activities with a \$7,692.06 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$29,557.62.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 906-387-2659.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	15 755 99
Taxes receivable	<u>6 040 23</u>
Total Current Assets	<u>21 796 22</u>
NON-CURRENT ASSETS:	
Capital Assets	14 000 00
Less: Accumulated Depreciation	<u>-</u>
Total Non-current Assets	<u>14 000 00</u>
TOTAL ASSETS	<u><u>35 796 22</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other units	<u>4 412 07</u>
Total Current Liabilities	<u>4 412 07</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>4 412 07</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	14 000 00
Unrestricted	<u>17 384 15</u>
Total Net Assets	<u>31 384 15</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>35 796 22</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

		Governmental Revenue		Program
		Charges for Services	Capital Grants - Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>			
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	2 400 00	-	-	(2 400 00)
General government	13 470 19	1 207 15	-	(12 263 04)
Public safety	10 525 05	-	-	(10 525 05)
Public works	750 00	-	3 393 56	2 643 56
Culture and recreation	<u>2 412 38</u>	<u>-</u>	<u>-</u>	<u>(2 412 38)</u>
Total Governmental Activities	<u>29 557 62</u>	<u>1 207 15</u>	<u>3 393 56</u>	<u>(24 956 91)</u>
General Revenues:				
Property taxes				12 611 70
State revenue sharing				3 175 59
Interest				821 76
Miscellaneous				<u>655 80</u>
Total General Revenues				<u>17 264 85</u>
Change in net assets				(7 692 06)
Net assets, beginning of year				<u>39 076 21</u>
Net Assets, End of Year				<u>31 384 15</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan  
BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	12 730 87
Taxes receivable	6 040 23
Due from other funds	<u>3 025 12</u>
Total Assets	<u><u>21 796 22</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Due to other units	<u>4 412 07</u>
Total liabilities	<u>4 412 07</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>17 384 15</u>
Total fund equity	<u>17 384 15</u>
Total Liabilities and Fund Equity	<u><u>21 796 22</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	17 384 15
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	14 000 00
Accumulated depreciation	<u>-</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>31 384 15</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>Total (General)</u>
Revenues:	
Property taxes	12 611 70
Federal grant	3 393 56
State revenue sharing	3 175 59
Charges for services – PTAF	1 207 15
Interest	821 76
Miscellaneous	<u>655 80</u>
Total revenues	<u>21 865 56</u>
Expenditures:	
Legislative:	
Township Board	2 400 00
General government:	
Supervisor	2 400 00
Elections	2 297 56
Assessor	1 198 00
Clerk	2 400 00
Board of Review	240 00
Treasurer	2 400 00
Unallocated	2 534 63
Public safety:	
Fire protection	10 225 11
Planning and zoning	299 94
Public works:	
Street lighting	750 00
Culture and recreation:	
Parks and recreation	<u>2 412 38</u>
Total expenditures	<u>29 557 62</u>
Excess (deficiency) of revenues over expenditures	(7 692 06)
Fund balance, April 1	<u>25 076 21</u>
Fund Balance, March 31	<u><u>17 384 15</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (7 692 06)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense

-

Capital Outlay

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(7 692 06)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Grand Island, Alger County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Grand Island. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 3.6711 mills, and the taxable value was \$3,435,667.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>15 755 99</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	57 973 07
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>57 973 07</u>

The Township of Grand Island did not have any investments as of March 31, 2007.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	14 000 00	-	-	14 000 00
Total	14 000 00	-	-	14 000 00
Accumulated Depreciation	-	-	-	-
Net Capital Assets	<u>14 000 00</u>	<u>-</u>	<u>-</u>	<u>14 000 00</u>

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Grand Island does not issue building permits. Building permits are issued by the County of Alger.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>3 025 12</u>	Current Tax Collection	<u>3 025 12</u>

Note 10 – Budget Variances

During the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	1 210 00	2 297 56	1 087 56
Assessor	699 00	1 198 00	499 00
Street lighting	600 00	750 00	150 00
Parks and recreation	1 200 00	2 412 38	1 212 38



TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	10 300 00	10 300 00	12 611 70	2 311 70
Federal grant	-	-	3 393 56	3 393 56
State revenue sharing	-	-	3 175 59	3 175 59
Charges for services – PTAF	-	-	1 207 15	1 207 15
Interest	-	-	821 76	821 76
Miscellaneous	-	-	655 80	655 80
Total revenues	<u>10 300 00</u>	<u>10 300 00</u>	<u>21 865 56</u>	<u>11 565 56</u>
Expenditures:				
Legislative:				
Township Board	2 400 00	2 400 00	2 400 00	-
General government:				
Supervisor	2 400 00	2 400 00	2 400 00	-
Elections	1 210 00	1 210 00	2 297 56	1 087 56
Assessor	699 00	699 00	1 198 00	499 00
Clerk	2 400 00	2 400 00	2 400 00	-
Board of Review	480 00	480 00	240 00	(240 00)
Treasurer	2 400 00	2 400 00	2 400 00	-
Unallocated	12 700 00	12 700 00	2 534 63	(10 165 37)
Public safety:				
Fire protection	10 300 00	10 300 00	10 225 11	(74 89)
Planning and zoning	2 000 00	2 000 00	299 94	(1 700 06)
Public works:				
Street lighting	600 00	600 00	750 00	150 00
Culture and recreation:				
Parks and recreation	<u>1 200 00</u>	<u>1 200 00</u>	<u>2 412 38</u>	<u>1 212 38</u>
Total expenditures	<u>38 789 00</u>	<u>38 789 00</u>	<u>29 557 62</u>	<u>(9 231 38)</u>
Excess (deficiency) of revenues over expenditures	(28 489 00)	(28 489 00)	(7 692 06)	20 796 94
Fund balance, April 1	<u>28 489 00</u>	<u>28 489 00</u>	<u>25 076 21</u>	<u>(3 412 79)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>17 384 15</u>	<u>17 384 15</u>

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>1 534 73</u>	<u>67 756 14</u>	<u>66 265 75</u>	<u>3 025 12</u>
<u>Liabilities</u>				
Due to other funds	1 534 73	12 825 81	11 335 42	3 025 12
Due to other units	<u>-</u>	<u>54 930 33</u>	<u>54 930 33</u>	<u>-</u>
Total Liabilities	<u>1 534 73</u>	<u>67 756 14</u>	<u>66 265 75</u>	<u>3 025 12</u>

TOWNSHIP OF GRAND ISLAND  
Alger County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2007

Cash in bank – beginning of year	<u>1 534 73</u>
Cash receipts:	
Property tax	67 646 42
Interest income	<u>109 72</u>
Total cash receipts	<u>67 756 14</u>
Total beginning balance and cash receipts	<u>69 290 87</u>
Cash disbursements:	
Alger County	25 227 26
Marquette – Alger Intermediate School District	3 889 27
Munising School District	24 744 31
Township General Fund	11 335 42
Refunds	<u>1 069 49</u>
Total cash disbursements	<u>66 265 75</u>
Cash in Bank – End of Year	<u><u>3 025 12</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 28, 2007

To the Township Board  
Township of Grand Island  
Alger County, Michigan

We have audited the financial statements of the Township of Grand Island for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Grand Island in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Grand Island  
Alger County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants